

Message Text

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TO AMEMBASSY LA PAZ PRIORITY

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E.O. 11652: N/A

TAGS: BENC, BL

SUBJECT: BOLIVIAN PESTICIDES PLANT

REF: A) LA PAZ 969, 0) LA PAZ 745, C) 75 STATE 285902

--- D) 75 LA PAZ 8842, E) 75 STATE 276538

--- F) 75 LA PAZ 8181

1. WE HAVE APPROACHED BOTH STAUFFER AND MONSANTO REGARDING SUPPLY OF TECHNOLOGY FOR SUBJECT PROJECT. AS IS GENERALLY THE CASE WITH MAJOR PRODUCERS WHICH HAVE DEVELOPED TECHNOLOGY FOR THEIR OWN PRODUCTION, THESE COMPANIES ARE USUALLY UNWILLING TO LICENSE THE USE OF THEIR PROPRIETARY PROCESSES WITHOUT EQUITY PARTICIPATION. AS EMBASSY ALREADY AWARE, BOTH FIRMS CURRENTLY EXPORT PARATHION AND PESTICIDE INTERMEDIATES

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TO ANDEAN COUNTRIES AND ARE NOT ANXIOUS TO SEE THEM-

SELVES SUPPLANTED IN THIS SIZABLE MARKET. RETURNS FROM LICENSING ARRANGEMENTS WOULD BE INSIGNIFICANT COMPARED TO THOSE FROM SALES OF THESE VERY LUCRATIVE PRODUCTS. COMPANIES CONSIDER AGUILA AS A DIRECT COMPETITOR AND THEREFORE ARE NOT INTERESTED IN ESSENTIALLY PUTTING THEM IN BUSINESS, WHETHER OR NOT

THE U.S. FIRMS LOSE THE MARKET.

2. REGARDING THE STAUFFER LETTER TO AGUILA OF DECEMBER 3 (REF A) STAUFFER'S LICENSING ADMINISTRATOR EXPLAINED THAT THIS WAS SIMPLY A BUREAUCRATIC MISTAKE. STAUFFER HAS A CORPORATE POLICY NOT TO LICENSE PARATHION TECHNOLOGY WORLDWIDE. THE LETTER ORIGINATED FROM STAUFFER'S LATIN AMERICAN AREA SALES GROUPS, PROBABLY IN RESPONSE TO AN APPROACH BY A DESIGN/ CONSTRUCTION COMPANY, WITHOUT MANAGEMENT APPROVAL. STAUFFER INDICATED THAT WHEN THIS MISTAKE WAS DISCOVERED, THE COMPANY TELEXED AGUILA (DECEMBER 22) AND ALSO SENT A COURIER-DELIVERED LETTER TO WITHDRAW THE OFFER.

3. THE MEXICAN PRECEDENT MENTIONED PARA 2 REF A WAS AN UNUSUAL SITUATION. ACCORDING TO STAUFFER, THIS PROJECT ACTUALLY BEGAN AS A JOINT-VENTURE COMPANY, CALLED "MONTROS MEXICANA," IN WHICH STAUFFER HAD AN EQUITY SHARE. THE JOINT VENTURE BROKE UP AFTER CONSTRUCTION AND PRIOR TO START-UP OF THE PLANT BECAUSE A GOVERNMENT AUTHORIZATION COULD NOT BE OBTAINED. SINCE STAUFFER WAS ALREADY COMMITTED, THE COMPANY AGREED TO A LICENSING ARRANGEMENT. (THE COMPANY IS NOW CALLED "GUANOS Y FERTILIZANTES.")

4. IN RESPONSE TO REF B WE ALSO DISCUSSED THIS PROJECT WITH THE BLUE SPRUCE CO. BLUE SPRUCE HAS VISITED BOLIVIA REF THIS PROJECT ON NUMEROUS OCCASIONS SINCE L 1967 AND CLAIMS TO HAVE SPENT A CONSIDERABLE AMOUNT OF MONEY IN TRAVEL AND PROPOSAL PREPARATION. THE COMPANY WAS CLEARLY UNHAPPY WITH THE EXPERIENCE, AS THE BOLIVIANS HAVE APPARENTLY DRAGGED OUT DISCUSSIONS AND HAVE BEEN UNABLE TO MAKE DECISIONS. WE EXPLAINED LIMITED OFFICIAL USE

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THAT THE PROJECT APPEARS TO BE PROGRESSING AND THAT THE BOLIVIANS ARE NOW SERIOUSLY INTERESTED IN U.S. TECHNOLOGY, BUT THE COMPANY WAS NOT RECEPTIVE.

5. COMMENT: THE MATTER OF EQUITY PARTICIPATION MAY BE THE REAL STUMBLING BLOCK IN OBTAINING TECHNOLOGY. THE

U.S. COMPANIES MAY REPEAT MAY BE MORE WILLING TO

PARTICIPATE IF THEY COULD TAKE AN EQUITY POSITION IN AGUILA. (THIS WOULD ALSO PROVIDE AGUILA WITH MARKETING AND OPERATING EXPERTISE.) OF COURSE, THIS WOULD DEPEND ON THE TERMS OF THE PARTNERSHIP. OTHERWISE, WE ARE NOT HOPEFUL OF FAVORABLE RESPONSES FROM U.S. PRODUCERS. WE HAVE ALSO DISCUSSED MATTER WITH NAS WHO ARE FAMILIAR

WITH PROBLEM. THEY SUGGEST THAT AQUILA MIGHT WISH TO APPROACH THE AID MISSION REGARDING THE POSSIBLE REVIEW OF ALTERNATIVE PESTICIDES GIVEN THE HIGH INDIRECT COSTS OF PARATHION-MALATHION. KISSINGER

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